

SPECIAL AREAS TRUST ACCOUNT

FINANCIAL STATEMENTS

DECEMBER 31, 2007

Statement of Financial Position

Statement of Revenue, Expenditure and Accumulated Excess of
Revenue over Expenditure

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Auditor's Report

To the Minister of Municipal Affairs

I have audited the statement of financial position of the Special Areas Trust Account as at December 31, 2007 and the statements of revenue, expenditure and accumulated excess of revenue over expenditure, reserves, equity in physical assets and cash flows for the year then ended. These financial statements are the responsibility of the Special Areas Trust Account's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Special Areas Trust Account as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

[Original signed Fred J. Dunn]

FCA
Auditor General

Edmonton, Alberta
March 6, 2008

SPECIAL AREAS TRUST ACCOUNT
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2007

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Financial Assets		
Current:		
Cash (Note 3)	\$ 24,636,662	\$ 26,089,722
Accounts receivable, net (Note 4)	5,298,543	3,543,160
Taxes receivable, net	359,667	381,988
Due from Province of Alberta, net (Note 5)	-	-
	<u>30,294,872</u>	<u>30,014,870</u>
Non-current:		
Accounts receivable, net (Note 4)	3,769,601	3,414,967
Investments (Schedule 1)	26,774,426	26,502,718
Total Financial Assets	<u>60,838,899</u>	<u>59,932,555</u>
Physical Assets (Note 6)		
Capital assets	24,980,170	22,549,004
Inventories	4,093,850	3,038,186
Total Physical Assets	<u>29,074,020</u>	<u>25,587,190</u>
	<u>\$ 89,912,919</u>	<u>\$ 85,519,745</u>
<u>LIABILITIES AND TRUST EQUITY</u>		
Current:		
Accounts payable and accruals	\$ 2,660,890	\$ 2,724,404
Due to Province of Alberta, net (Note 5)	1,287,915	690,664
Deferred revenues	487,284	620,119
Deferred provincial grant revenue (Note 7)	2,344,225	81,983
	<u>6,780,314</u>	<u>4,117,170</u>
Non-current:		
Provision for gravel pit reclamation (Note 8)	1,550,000	1,400,000
Total Liabilities	<u>8,330,314</u>	<u>5,517,170</u>
Equity:		
Accumulated excess of revenue over expenditure	4,413,560	4,920,033
Reserves	48,095,025	49,495,352
In physical assets	29,074,020	25,587,190
Total Equity	<u>81,582,605</u>	<u>80,002,575</u>
	<u>\$ 89,912,919</u>	<u>\$ 85,519,745</u>

The accompanying notes and schedules are part of these financial statements.

SPECIAL AREAS TRUST ACCOUNT
STATEMENT OF REVENUE, EXPENDITURE AND ACCUMULATED EXCESS
OF REVENUE OVER EXPENDITURE
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>2007</u>		<u>2006</u>
	<u>BUDGET</u> (Note 18)	<u>ACTUAL</u>	<u>ACTUAL</u>
Revenue			
General municipal:			
Taxation			
Power and pipeline	\$ 23,353,900	\$ 26,090,461	\$ 22,110,155
Real property	6,305,000	6,464,233	5,968,943
Grazing and cultivation	831,000	771,910	786,570
Penalties and costs on taxes	75,000	16,581	287,183
	<u>30,564,900</u>	<u>33,343,185</u>	<u>29,152,851</u>
Less amounts expended by transfers:			
Alberta School Foundation Fund	13,606,000	13,965,429	13,606,004
Seniors Foundation requisitions	2,162,000	1,963,922	1,082,980
	<u>15,768,000</u>	<u>15,929,351</u>	<u>14,688,984</u>
Net taxes for municipal purposes	14,796,900	17,413,834	14,463,867
Provincial grants (Note 9)	4,316,392	4,033,517	4,555,484
Leases (Note 10)	7,501,500	9,435,617	7,982,359
Interest	1,952,000	2,187,496	1,958,155
Tax recovery land sales	2,200,000	1,741,655	2,482,259
Other (Note 11)	4,909,750	3,497,999	3,199,992
Total revenue, carried forward	\$ <u>35,676,542</u>	\$ <u>38,310,118</u>	\$ <u>34,642,116</u>

The accompanying notes and schedules are part of these financial statements.

SPECIAL AREAS TRUST ACCOUNT
STATEMENT OF REVENUE, EXPENDITURE AND ACCUMULATED EXCESS
OF REVENUE OVER EXPENDITURE (cont'd)
FOR THE YEAR ENDED DECEMBER 31, 2007

	2007		2006
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
	(Note 18)		
Total revenue, brought forward	\$ 35,676,542	\$ 38,310,118	\$ 34,642,116
Expenditure			
General municipal:			
Transportation services	22,050,088	27,939,350	22,116,832
Administrative services	4,829,811	4,328,594	3,661,986
Water and sanitation services	3,152,114	1,846,530	1,291,661
Agriculture and community pasture services	2,393,845	2,385,668	2,139,767
Recreational and cultural services	1,884,112	1,946,977	1,285,697
Protective services	1,891,663	1,570,887	1,720,686
Industrial tax transfers	140,000	198,912	139,650
Total expenditure (Note 12, 14 and 15)	36,341,633	40,216,918	32,356,279
(Deficiency) excess of revenue over expenditure	\$ (665,091)	(1,906,800)	2,285,837
Accumulated excess of revenue over expenditure at beginning of year		4,920,033	1,338,028
		3,013,233	3,623,865
Less: transfers (to) from tax recovery land sales reserve (Note 16):			
Phase I	-	39,902	3,305
Phase II	-	(203,566)	(488,537)
Phase III	(2,450,000)	(1,551,100)	(2,218,600)
	(2,450,000)	(1,714,764)	(2,703,832)
Add: transfer from tax recovery land sales reserve (Note 16):			
Phase II	3,115,091	3,115,091	4,000,000
	\$ 665,091	1,400,327	1,296,168
Accumulated excess of revenue over expenditure at end of year		\$ 4,413,560	\$ 4,920,033
(Decrease) increase in accumulated excess of revenue over expenditure during the year	\$ -	\$ (506,473)	\$ 3,582,005

The accompanying notes and schedules are part of these financial statements.

SPECIAL AREAS TRUST ACCOUNT
STATEMENT OF RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>2007</u>	<u>2006</u>
Tax recovery land sales reserves :		
Phase I		
Balance at beginning of year	\$ 39,270,410	\$ 39,273,715
Deduct transfers of accumulated excess of revenue over expenditure (Note 16)	<u>(39,902)</u>	<u>(3,305)</u>
Balance at end of year	<u>39,230,508</u>	<u>39,270,410</u>
Phase II		
Balance at beginning of year	3,856,643	7,368,106
Add transfers of accumulated excess of revenue over expenditure (Note 16)	203,566	488,537
Deduct transfers of funds to operations (Note 16)	<u>(3,115,091)</u>	<u>(4,000,000)</u>
Balance at end of year	<u>945,118</u>	<u>3,856,643</u>
Phase III		
Balance at beginning of year	6,366,980	4,148,380
Add transfer from accumulated excess of revenue over expenditure (Note 16)	<u>1,551,100</u>	<u>2,218,600</u>
Balance at end of year	<u>7,918,080</u>	<u>6,366,980</u>
Total balance at end of year	48,093,706	49,494,033
Public reserve:		
Balance at beginning and end of year	<u>1,319</u>	<u>1,319</u>
Total reserves	\$ <u>48,095,025</u>	\$ <u>49,495,352</u>

The accompanying notes and schedules are part of these financial statements.

SPECIAL AREAS TRUST ACCOUNT
STATEMENT OF EQUITY IN PHYSICAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>2007</u>	<u>2006</u>
Equity in capital assets at beginning of year	\$ 22,549,004	\$ 20,411,988
Add purchase of capital assets:		
Transportation services	4,301,772	4,057,781
Administrative services	804,648	409,149
Protective services	373,351	458,822
Agriculture and community pasture services	350,474	149,520
Water and sanitation services	279,388	267,780
Recreation and cultural services	148,824	26,305
	<u>6,258,457</u>	<u>5,369,357</u>
Annual amortization of capital assets	<u>(2,399,487)</u>	<u>(2,122,972)</u>
Disposal of capital assets	<u>(1,427,804)</u>	<u>(1,109,369)</u>
Equity in capital assets at end of year (Note 6)	<u>\$ 24,980,170</u>	<u>\$ 22,549,004</u>
Equity in inventories at beginning of year	\$ 3,038,186	\$ 2,317,588
Add purchases and other inventory costs	3,130,829	2,617,084
Deduct requisitions	<u>(2,075,165)</u>	<u>(1,896,486)</u>
Equity in inventory at end of year (Note 6)	<u>\$ 4,093,850</u>	<u>\$ 3,038,186</u>
Equity in physical assets at end of year	<u>\$ 29,074,020</u>	<u>\$ 25,587,190</u>

The accompanying notes and schedules are part of these financial statements.

SPECIAL AREAS TRUST ACCOUNT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>2007</u>	<u>2006</u>
Operating activities:		
Excess of expenditure over revenue	\$ (1,906,800)	\$ 2,285,837
Amortization of investment premiums, less discounts	104,814	161,865
(Gain) loss on sale of investments	(68,213)	10,633
Increase in provision for gravel pit reclamation	150,000	100,000
Sale of capital assets	(1,427,804)	(1,109,369)
Purchase of capital assets	6,258,457	5,369,357
Increase in inventories	1,055,663	720,599
	<u>4,166,117</u>	<u>7,538,922</u>
Changes in non-cash working capital accounts:		
Accounts receivable	(1,755,383)	(1,010,818)
Taxes receivable, net	22,321	1,657,124
Due to Province of Alberta, net	597,251	819,750
Accounts payable and accruals	(63,514)	531,197
Deferred lease revenue	(132,835)	93,358
Deferred provincial grant revenue	2,262,242	(982,153)
Inventories	(1,055,663)	(720,599)
	<u>(125,582)</u>	<u>387,859</u>
Cash provided by operating activities	<u>4,040,536</u>	<u>7,926,781</u>
Investing activities:		
Net change in non - current accounts receivable	(354,634)	(382,511)
Proceeds from redemption of investments	8,538,676	9,325,574
Purchase of investments	(8,846,985)	(9,650,582)
Sale of capital assets	1,427,804	1,109,369
Purchase of capital assets	(6,258,457)	(5,369,357)
Cash applied to investing activities	<u>(5,493,596)</u>	<u>(4,967,507)</u>
(Decrease) increase in cash	(1,453,060)	2,959,274
Cash at the beginning of year	<u>26,089,722</u>	<u>23,130,448</u>
Cash at end of year	<u>\$ 24,636,662</u>	<u>\$ 26,089,722</u>

The accompanying notes and schedules are part of these financial statements.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2007

Note 1 Authority and Purpose

The Special Areas Trust Account operates under the authority of the *Special Areas Act*, Revised Statutes of Alberta 2000, chapter S-16. The Special Areas Trust Account is held by the Special Areas Board, an agent of the Crown in right of Alberta, and as such, has a tax exempt status.

The Special Areas Board (the "Board") is appointed by the Lieutenant Governor in Council. The Board provides municipal services and long-term land resource management.

Note 2 Significant Accounting Policies

(a) General

These financial statements have been prepared in accordance with generally accepted accounting principles for municipal governments.

(b) Tax Recovery Land

Tax recovery land, including any mineral surface leases attached thereto, was acquired for insignificant amounts and is not recorded in the balance sheet. Approximately 1.105 million acres of tax recovery land remains unsold as at December 31, 2007 (2006 - 1.107 million acres).

Crown land transferred to the Province of Alberta from the Government of Canada for no monetary consideration, located within the Special Areas and administered by the Special Areas Board, is not valued for financial statement purposes. This consists of approximately 1.588 million acres (2006 - 1.589 million acres).

(c) Investments

Investments are valued at cost adjusted for the applicable amortization of discount or premium using the straight-line method over the period to maturity.

(d) Inventories

The cost of consumable supplies is included as an expenditure when incurred. For information purposes, inventories of consumable supplies are shown on the balance sheet as physical assets at net book value with the offsetting credit to equity in physical assets.

Inventories are valued at the lower of cost or net replacement value. Costs for all inventories are determined by using the first-in-first-out method with the exception of parts which are valued by using the average costing method.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2007

Note 2 (e) Capital Assets

(cont'd) Capital asset acquisitions are included as expenditures in the statement of revenue, expenditure and accumulated excess of revenue over expenditure. For information purposes, capital assets except the cost of construction of roads and bridges, having an original cost greater than \$2,500 (\$10,000 for engineered structures and third party software development) are shown on the statement of financial position as physical assets at net book value with the offsetting credit to equity in physical assets. All land and other off the shelf electronic data processing equipment is capitalized.

The cost of capital assets shown on the statement of financial position is amortized to estimated salvage value at the following rates (rates and values expressed as a percentage of original cost):

	<u>Annual Amortization</u>			Estimated Salvage Value
	Year 1	Year 2	Year 3 and Thereafter	
	%	%	%	%
Mobile equipment	5.00	5.00	5.00	5.00
Buildings / Eng. structures	2.50	2.50	2.50	2.50
Automotive equipment	20.00	15.00	10.00	10.00
Machinery and equipment	6.67	6.67	6.67	6.67
Electronic data processing				
- Hardware	40.00	30.00	20.00	-
- Software	25.00	25.00	25.00	-

The portion of the cost of purchased land attributed to the value of gravel situated on the land, is amortized at the rate at which the gravel is excavated.

(f) Tangible Capital Assets

Effective January 1, 2007, The Board adopted Accounting Guideline 7 (PSG-7) of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants ("CICA") with respect to the disclosure of tangible capital assets of local governments. PSG-7 provides transitional guidance on presenting information related to tangible capital assets until Section 3150 - Tangible Capital Assets of the Public Sector Accounting Handbook comes into effect on January 1, 2009.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2007

Note 2 (f) Prior to January 1, 2007, The Board previously recorded tangible capital assets including assets held under capital leases at cost in the period they were acquired on the statement of financial position and as an expenditure.
 (cont'd)

During 2007, The Board continued to work towards compliance with the new recommendations for accounting for tangible capital assets. As of December 31, 2007, The Board is compliant with PSG-7 in the following categories (Note 6); land, buildings, engineered structures, machinery and equipment, mobile equipment, EDP hardware, EDP software and vehicles.

A rate of amortization for the roads, land right of ways, bridges, water lines and wastewater lines is currently underway and is expected to be completed for presentation in the following format for the December 31, 2008 Financial Statements.

	<u>Annual Amortization</u>			Estimated Salvage Value
	Year 1	Year 2	Year 3 and Thereafter	
Roads	-	-	-	-
Land right of ways	-	-	-	-
Bridges	-	-	-	-
Water lines	-	-	-	-
Wastewater lines	-	-	-	-

A complete listing of assets and values for the roads, land right of ways, bridges, water lines and wastewater lines are currently underway and is expected to be completed for presentation in the following format for the December 31, 2008 Financial Statements.

	<u>2007</u>			<u>2006</u>
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Capital Assets:				
Roads	\$ -	\$ -	\$ -	\$ -
Land right of ways	-	-	-	-
Bridges	-	-	-	-
Water lines	-	-	-	-
Wastewater lines	-	-	-	-
Capital Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2007

Note 2 (g) Pensions

(cont'd) The Board participates in two multi-employer defined benefit pension plans, the Management Employees Pension Plan and the Public Service Pension Plan. The Board accounts for its participation in these plans on a defined contribution basis. Pension costs included in these statements comprise of the cost of employer contributions for current service of employees during the year.

(h) Financial Instruments

The carrying value of cash, current accounts receivable, taxes receivable, amounts due to / from Province of Alberta, and accounts payable and accruals approximate fair value due to the short-term nature of these items.

The carrying value of non-current accounts receivable approximate their fair value.

The fair value of investments is disclosed on Schedule 1.

Note 3 Cash

The Consolidated Cash Investment Trust Fund is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is composed of high quality short-term and mid-term fixed income securities with a maximum term to maturity of three years. As at December 31, 2007, securities held by the Fund have an average effective market yield of 4.41% per annum (2006 - 3.91% per annum).

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2007

Note 4 Accounts Receivable, Net

Accounts receivable, net of applicable allowances for doubtful accounts of \$94,474 (2006 - \$91,650), are comprised of the following:

	<u>2007</u>	<u>2006</u>
Current:		
From sale of tax recovery land & related mineral surface leases	\$ 492,946	\$ 519,958
Accrued interest	89,950	102,738
	<u>582,896</u>	<u>622,696</u>
Secondary highway rentals	3,506,174	1,392,559
Accrued interest on investments	196,160	254,714
Leases	178,772	374,936
High speed wireless	173,450	119,360
Federal government grants	61,000	4,917
Miscellaneous	600,091	773,978
	<u>\$ 5,298,543</u>	<u>\$ 3,543,160</u>
Non-current:		
From sale of tax recovery land and related mineral surface leases	\$ 3,247,376	\$ 2,954,885
High speed wireless	306,757	193,584
Other	215,468	266,498
	<u>\$ 3,769,601</u>	<u>\$ 3,414,967</u>

Payment for tax recovery land sold and for the sales of related mineral surface leases may be made in installments over a period not exceeding ten years. An interest rate of 8% per annum is applied to tax recovery land sales I & II and 6% per annum to tax recovery land sale III that commenced in 2004. Title to tax recovery land sold (and related leases sold) is transferred from the Minister of Municipal Affairs to the purchaser after all payments have been received. If a purchaser defaults in payment, the agreement(s) for sale may be declared null and void and all monies received may be retained as liquidated damages.

The Board has entered into a memorandum of agreement with an internet service provider to facilitate the delivery of high-speed internet to residents of the Special Areas. This agreement contains the terms whereby the equipment is offered for sale by The Board to the internet service provider at The Board's cost. Repayment terms will be based on network usage and a promissory note that will be signed upon completion of the joint project.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2007

Note 5 Due to Province of Alberta, Net

The net amount due to the Province of Alberta is comprised of the following:

	<u>2007</u>	<u>2006</u>
Due from Province of Alberta:		
Infrastructure and Transportation	\$ 291,797	\$ 1,196,767
Agriculture, Food and Rural Development	122,925	140,574
Finance	-	57,307
Other	25,160	50,268
	<u>439,882</u>	<u>1,444,916</u>
Due to Province of Alberta:		
Infrastructure and Transportation	(1,373,840)	(1,899,522)
Environment	(206,374)	(199,359)
Other	(147,583)	(36,699)
	<u>(1,727,797)</u>	<u>(2,135,580)</u>
Due to Province of Alberta, net	<u>\$ (1,287,915)</u>	<u>\$ (690,664)</u>

Note 6 Physical Assets

	<u>2007</u>			<u>2006</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Capital Assets:				
Mobile equipment	\$ 16,849,669	\$ 4,700,087	\$ 12,149,582	\$ 11,587,100
Buildings / Eng. structures	9,744,267	3,483,246	6,261,021	5,326,561
Automotive equipment	9,687,597	5,944,435	3,743,162	3,084,900
Machinery and equipment	3,018,192	1,707,162	1,311,030	1,265,803
Land	1,094,570	89,563	1,005,007	998,816
Electronic data processing				
- Software	1,256,928	1,041,454	215,474	82,242
- Hardware	1,059,923	765,029	294,894	203,582
Capital Assets, carried forward	<u>\$ 42,711,146</u>	<u>\$ 17,730,976</u>	<u>\$ 24,980,170</u>	<u>\$ 22,549,004</u>

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2007

Note 6	2007			2006
(cont'd)	Cost	Allowance for obsolescence	Net Book Value	Net Book Value
Inventory:				
Parts	\$ 1,027,546	\$ 10,275	\$ 1,017,271	\$ 1,055,398
Gravel	2,786,105	-	2,786,105	1,786,852
Culverts	103,878	-	103,878	55,200
Fuel	85,237	-	85,237	48,737
Chemicals	14,155	-	14,155	56,070
Fencing and other	87,204	-	87,204	35,929
	\$ 4,104,125	\$ 10,275	4,093,850	3,038,186
Capital Assets, brought forward			24,980,170	22,549,004
Total physical assets			\$ 29,074,020	\$ 25,587,190

Note 7 Deferred Provincial Grant Revenue

	2007	2006
Municipal Affairs and Housing	\$ 2,255,628	\$ 10,784
Infrastructure and Transportation	88,597	71,199
	\$ 2,344,225	\$ 81,983

Note 8 Provision for Gravel Pit Reclamation

The provision for gravel pit reclamation costs are estimates of future costs of restoring gravel pits to the standards required by the *Environmental Protection and Enhancement Act*.

There is uncertainty with respect to the measurement of the estimates. Measurement uncertainty exists when there is a significant variance between the amount recognized in the financial statements and another reasonably possible amount.

Reclamation is ongoing and the uncertainty inherent in the provision will thus be partially resolved each year.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2007

Note 9 Provincial Grants

	<u>2007</u>	<u>2006</u>
Infrastructure and Transportation	\$ 2,883,166	\$ 3,555,163
Municipal Affairs and Housing	472,174	5,952
Agriculture, Food and Rural Development	302,328	439,045
Health and Wellness	132,139	163,393
Children's Services	122,171	122,171
Environment	100,000	247,927
Tourism, Parks and Recreation	16,000	16,000
Employment, Immigration and Industry	5,539	5,833
	<u>\$ 4,033,517</u>	<u>\$ 4,555,484</u>

Note 10 Lease Revenue

	<u>2007</u>	<u>2006</u>
Mineral surface leases	\$ 3,521,439	\$ 3,940,966
Equipment rentals	3,386,479	1,546,605
Grazing leases	1,249,906	1,225,398
Community pastures	456,622	452,293
Cultivation leases	330,250	341,229
Other	490,921	475,868
	<u>\$ 9,435,617</u>	<u>\$ 7,982,359</u>

Note 11 Other Revenue

	<u>2007</u>	<u>2006</u>
Proceeds on sale of capital assets	\$ 1,623,592	\$ 1,157,386
Park permits and concessions	440,750	434,630
Land sale receipts	262,556	11,487
Municipal services cost recovery	199,286	405,807
License, permits, assignments and application fees	192,581	232,655
Sale of sand and gravel	142,553	236,148
Oil well drilling taxes	139,918	233,630
Federal government grants	63,405	1,967
Miscellaneous	433,358	486,282
	<u>\$ 3,497,999</u>	<u>\$ 3,199,992</u>

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2007

Note 12 Total Expenditure

Total expenditure for the year is analyzed by object of expenditure as follows:

	<u>2007</u>	<u>2006</u>
Materials, goods, and utilities	\$ 11,346,803	\$ 8,565,612
Manpower (Schedule 2)	10,850,617	9,809,603
Contract and general services	9,195,109	6,597,123
Capital assets acquired	6,258,457	5,369,357
Grants	2,075,866	1,561,660
Goods and services from Alberta Government departments		
Alberta Finance		
Risk Management	159,044	158,148
Investment fees	4,292	5,745
Alberta Municipal Affairs and Housing		
Linear assessment	86,629	81,192
Government Services	17,765	18,907
Provision for doubtful accounts	23,424	49,282
Industrial tax transfers	198,912	139,650
	<u>\$ 40,216,918</u>	<u>\$ 32,356,279</u>

Note 13 Pension Plan

The Board participates with other employers in the Public Service Pension Plan ("PSPP") and the Management Employees Pension Plan ("MEPP"). These plans provide pensions for the Board's employees based on years of service and earnings.

Total current contributions by the Board in 2007 to the PSPP were \$302,888 (2006 - \$250,889) and to the MEPP were \$152,895 (2006 - \$152,792).

At December 31, 2006, the PSPP reported a surplus of \$153,024,000 (2005 deficiency - \$187,704,000) and the MEPP reported a deficiency of \$6,765,000 (2005 - \$165,895,000). Figures as at December 31, 2007 are not available.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2007

Note 14 Related Party Transactions

Expenditures for goods and services provided by the Province of Alberta and billed to the Board are disclosed in Note 12.

Grants provided by the Province of Alberta are disclosed in Note 9 and the amounts outstanding at the end of the year are disclosed in Note 5.

During 2007, the Board received funds as agent for Alberta Environment amounting to \$206,374 (2006 - \$199,359), all of which is included as due to the Department at the end of the year.

Note 15 Administration Expenses

Accommodation costs for the offices at Hanna, amounting to approximately \$70,000 annually, have not been included in the expenditures of the Board. The building is owned and operated by Alberta Infrastructure & Transportation and all costs are recorded as expenditure of that Ministry.

Note 16 Tax Recovery Land Sales Reserve

Transfers to (from) tax recovery land sales reserve have been determined as follows:

	<u>Phase I</u>	<u>Phase II</u>	<u>Phase III</u>	<u>Total</u>
Land sales	\$ (39,902)	\$ -	\$ 1,551,100	\$ 1,511,198
Transfers	-	(3,115,091)	-	(3,115,091)
Interest	-	203,566	-	203,566
	<u>\$ (39,902)</u>	<u>\$ (2,911,525)</u>	<u>\$ 1,551,100</u>	<u>\$ (1,400,327)</u>

Phases I, II and III relate to proceeds from sales under the 1981, 1988 and 2004 tax recovery land sales policies respectively.

Phases I and III exclude interest revenue and have not been earmarked for specific expenditures.

Phase II includes interest earned under agreements for sale and investment interest earned on Phase II funds and is earmarked for future capital projects as authorized by the Minister of Municipal Affairs.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2007

Note 17 Contractual Obligations

The Board has entered into twelve long-term operating leases for equipment. The future lease payments are as follows:

2008	\$	868,719
2009		868,719
2010		868,719
2011		595,618
2012		-
	\$	<u>3,201,775</u>

Note 18 Budget

The 2007 municipal budget was adopted by the Board and approved by the Minister of Municipal Affairs and Housing in January 2007.

Note 19 Comparative Figures

Certain 2006 figures have been reclassified to conform to 2007 presentation.

Note 20 Approval of Financial Statements

These financial statements have been approved by the Board.

SPECIAL AREAS TRUST ACCOUNT
SCHEDULE OF INVESTMENTS
AS AT DECEMBER 31, 2007

	2007				2006			
	Stated Interest Rate	Effective Interest Rate	Maturity Date	Par Value	Fair Value	Book Value	Book Value	
	Rate	Rate		Value	Value	Value	Value	
Bonds:								
Bank of Montreal	7.000%	4.320%	January 28, 2010	\$ 180,000	\$ 187,551	\$ 188,898	\$ 193,178	
Bank of Nova Scotia	4.515%	4.510%	November 19, 2008	700,000	699,510	700,000	700,000	
Canada Housing Trust	4.100%	4.090%	December 15, 2008	960,000	960,864	960,185	759,691	
Canada Housing Trust	3.550%	4.020%	March 15, 2009	1,760,000	1,751,130	1,750,980	1,743,497	
Canada Housing Trust	3.750%	3.530%	March 15, 2010	3,500,000	3,477,915	3,514,820	3,521,539	
Canada Housing Trust	4.050%	4.280%	March 15, 2011	3,150,000	3,145,558	3,128,246	2,680,722	
Canada Housing Trust	3.950%	4.830%	December 15, 2011	1,100,000	1,092,388	1,065,953	-	
Canada Housing Trust	4.000%	4.390%	June 15, 2012	2,600,000	2,583,646	2,558,578	-	
Canada Housing Trust	4.400%	3.730%	March 15, 2008	-	-	-	1,761,164	
Canada Housing Trust	3.700%	4.320%	September 15, 2008	-	-	-	594,299	
Canadian Imperial Bank of Commerce	4.550%	4.710%	March 28, 2016	700,000	685,069	695,913	-	
Canadian Imperial Bank of Commerce	4.550%	4.710%	May 9, 2011	-	-	-	695,417	
Government of Canada	5.500%	4.090%	June 1, 2010	520,000	540,337	536,330	543,080	
Government of Canada	6.000%	5.920%	June 1, 2011	95,000	101,504	95,190	95,246	
Government of Canada	3.750%	4.010%	September 1, 2011	1,800,000	1,793,862	1,784,452	1,780,217	
Government of Canada	5.250%	4.030%	June 1, 2012	3,490,000	3,683,730	3,658,322	1,109,522	
Government of Canada	4.250%	3.380%	September 1, 2008	-	-	-	892,288	
Government of Canada	5.500%	4.770%	June 1, 2009	-	-	-	1,408,511	
Government of Canada	4.250%	3.650%	September 1, 2009	-	-	-	1,760,755	
Province of Manitoba	6.250%	5.930%	September 1, 2009	400,000	413,652	401,724	402,756	
Province of Ontario	5.700%	3.380%	December 1, 2008	740,000	750,893	754,906	771,098	
Province of Ontario	6.100%	4.070%	November 19, 2010	500,000	525,950	526,467	535,632	
Province of Ontario	6.100%	4.490%	December 2, 2011	700,000	746,886	738,846	748,748	
Province of Quebec	5.500%	4.160%	June 1, 2009	280,000	285,320	284,784	288,155	
Province of Quebec	6.250%	4.400%	December 1, 2010	1,750,000	1,848,857	1,834,405	1,863,306	
Financement Quebec	5.750%	3.760%	December 1, 2008	470,000	476,900	477,966	486,620	
Royal Bank of Canada	3.700%	4.190%	June 24, 2015	400,000	388,860	394,412	393,665	
TD Bank	5.690%	5.020%	June 3, 2018	700,000	717,185	722,899	-	
TD Bank	5.200%	3.250%	September 4, 2012	-	-	-	729,912	
Alberta Capital Finance Authority			(15 Shares)	26,495,000	26,857,567	26,774,276	26,459,018	
Agricore United Common Shares				150	150	150	150	
				\$ 26,495,150	\$ 26,857,717	\$ 26,774,426	\$ 26,502,718	

**SPECIAL AREAS TRUST ACCOUNT
SCHEDULE OF SALARIES AND BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	2007				2006	
	Number of Individuals (a)	Salary (b) \$	Other Cash Benefits (c) \$	Other Non-cash Benefits (d) \$	Number of Individuals	Total
Chairman of the Special Areas Board	1	133,293	13,819	32,862	1	\$ 162,951
Special Areas Board members	2	6,565	-	1,315	2	10,402
Director of Finance and Administration	1	97,308	12,050	24,983	1	120,623
Director of Municipal Services	1	99,291	10,598	7,511	1	119,774
Director of Properties Administration	1	99,291	7,007	25,384	1	124,841
Roads & Equipment Superintendent	1	57,348	5,539	17,279	1	105,705
Managers (e)	4	332,031	24,848	86,006	4	379,335
Other full time staff (f)	81.0	4,585,883	-	839,029	78.9	4,986,468
Part time and casual wage staff		3,863,236	-	441,625		3,623,875
Other Boards and committees		38,246	-	1,606		42,380
Advisory Councillors	13	19,344	-	464	13	18,185
(Decrease) increase in vacation accrual		(33,144)	-	-		115,064
		\$ 9,298,692	\$ 73,861	\$ 1,478,064		\$ 9,809,603

- (a) Number of individuals consists of full time equivalents, except for Special Areas Board members and Advisory Councillors.
- (b) Salary includes regular base pay.
- (c) Other cash benefits includes bonuses, lump sum payments, honoraria and vacation payouts.
- (d) Employer's share of all employee benefits and contributions or payments made on behalf of employees, managers and board members including Workers' Compensation Board, Canada Pension Plan, Employment Insurance, camp allowances, pension, health care, dental coverage, out of country medical benefits, membership fees, group life insurance, accidental death and dismemberment insurance and long-term disability plan.
- (e) Average salary is \$83,008 and average benefits (column c & d) are \$27,714 totaling \$110,722 (2006 - \$94,834).
- (f) Average salary is \$56,616 and average benefits are \$10,358 totaling \$66,974 (2006 - \$63,119).